

TRANSFORMATION CHURCH, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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TRANSFORMATION CHURCH, INC.
YEARS ENDED DECEMBER 31, 2020 AND 2019

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FRANKLIN & FRANKLIN, PA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Transformation Church, Inc.

Opinion

We have audited the accompanying financial statements of Transformation Church, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transformation Church, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Transformation Church, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Transformation Church, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Transformation Church, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Transformation Church, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Franklin & Franklin, PA
Matthews, North Carolina

March 31, 2021

TRANSFORMATION CHURCH, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - without donor restrictions	\$ 2,077,188	\$ 1,487,299
Cash and cash equivalents - with donor restrictions	22,568	-
Investments (at fair market value)	77,404	34,298
	2,177,160	1,521,597
OTHER CURRENT ASSETS		
Inventory	7,876	11,516
Accounts receivable	16	1,168
Prepaid expenses	55,552	51,979
	63,444	64,663
TOTAL CURRENT ASSETS	2,240,604	1,586,260
PROPERTY		
Furniture	85,112	87,486
Computer and equipment	2,060,475	1,647,298
Leasehold improvements	312,614	235,860
Land and building	9,333,714	8,804,738
	11,791,915	10,775,382
Less accumulated depreciation	(2,254,790)	(1,803,159)
PROPERTY, NET	9,537,125	8,972,223
OTHER ASSETS		
Intangibles, net of accumulated amortization of \$17,020 and \$13,443 as of December 31, 2020 and 2019	23,251	26,828
Construction in progress	-	80,858
	23,251	107,686
TOTAL ASSETS	\$ 11,800,980	\$ 10,666,169
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and credit card payable	\$ 48,153	\$ 133,058
Payroll liabilities	130,467	52,734
Unearned revenue	200	-
Current portion, long-term debt	200,534	189,795
TOTAL CURRENT LIABILITIES	379,354	375,587
LONG TERM LIABILITIES		
Capital lease	55,839	120,292
Note payable	4,110,916	4,305,019
TOTAL LONG TERM LIABILITIES	4,166,755	4,425,311
TOTAL LIABILITIES	4,546,109	4,800,898
NET ASSETS		
Net assets without donor restrictions	7,232,303	5,865,271
Net assets with donor restrictions	22,568	-
TOTAL NET ASSETS	7,254,871	5,865,271
TOTAL LIABILITIES AND NET ASSETS	\$ 11,800,980	\$ 10,666,169

TRANSFORMATION CHURCH, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Offerings/tithes	\$ 6,869,871	\$ 5,718,901
Investment income	6,138	8,893
Other income	15,370	33,076
TOTAL REVENUES AND OTHER INCOME WITHOUT DONOR RESTRICTIONS	6,891,379	5,760,870
Net assets released from restrictions	47,706	91,111
TOTAL REVENUE, OTHER INCOME AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	6,939,085	5,851,981
EXPENSES		
Program expenses	4,018,637	3,235,311
Management and general expenses	1,411,068	1,969,556
Fundraising expenses	142,348	118,568
TOTAL EXPENSE	5,572,053	5,323,435
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,367,032	528,546
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	70,274	82,882
Net assets released from restrictions	(47,706)	(91,111)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	22,568	(8,229)
CHANGES IN NET ASSETS	1,389,600	520,317
NET ASSETS, BEGINNING OF YEAR	5,865,271	5,344,954
NET ASSETS, END OF YEAR	\$ 7,254,871	\$ 5,865,271

TRANSFORMATION CHURCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Expenses				Supporting Expenses		2020
	Church	Care	Outreach	Total Program	Management and General	Fundraising	Total Expenses
EXPENSES							
Direct expenses	\$ 5,932	-	-	\$ 5,932	-	-	\$ 5,932
Salary and wages	1,771,744	-	-	1,771,744	795,067	42,532	2,609,343
Payroll benefits	349,925	-	-	349,925	157,028	8,400	515,353
Occupancy	3,305	-	-	3,305	1,483	79	4,867
Professional and contract services	409,574	4	114	409,692	106,292	128	516,112
Advertising and promotion	-	-	-	-	-	10,117	10,117
Conferences, conventions, and meetings	11,851	-	49	11,900	1,322	-	13,222
Administration, copying and printing	10,655	262	49	10,966	1,184	-	12,150
Credit card and other service charges	-	-	-	-	1,800	-	1,800
Depreciation and amortization	243,045	-	-	243,045	139,124	74,425	456,594
Equipment rental	22,186	-	1,687	23,873	-	-	23,873
Facilities	37,472	-	-	37,472	9,991	361	47,824
Insurance	17,813	-	-	17,813	7,993	428	26,234
Interest expense	131,568	-	-	131,568	59,041	3,158	193,767
Meals and entertainment	13,864	2,584	1,094	17,542	9,446	-	26,988
Benevolence	-	67,697	-	67,697	-	-	67,697
Generosity	359,897	-	142,568	502,465	-	-	502,465
Supplies and other expenses	1,860	-	-	1,860	1,908	-	3,768
Supplies general	30,918	2,014	95,338	128,270	7,729	-	135,999
Other expenses	127,801	4,881	8,159	140,841	55,281	306	196,428
Postage and delivery	3,023	140	50	3,213	159	-	3,372
Repairs and maintenance	45,310	-	-	45,310	20,639	1,104	67,053
Mileage	683	-	-	683	-	-	683
Telecommunication	3,144	-	-	3,144	1,347	-	4,491
Telephone	22,722	-	-	22,722	9,738	-	32,460
Travel expenses	12,611	-	457	13,068	-	-	13,068
Utilities	54,587	-	-	54,587	24,496	1,310	80,393
TOTAL EXPENSES	<u>\$ 3,691,490</u>	<u>\$ 77,582</u>	<u>\$ 249,565</u>	<u>\$ 4,018,637</u>	<u>\$ 1,411,068</u>	<u>\$ 142,348</u>	<u>\$ 5,572,053</u>

TRANSFORMATION CHURCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Expenses			Supporting Expenses		2019 Total Expenses
	Church	Care	Outreach	Management and General	Fundraising	
EXPENSES						
Direct expenses	\$ 118,549	\$ 229	\$ 218	\$ 118,996	\$ -	\$ 118,996
Salary and wages	1,187,605	-	-	1,187,605	38,646	2,370,942
Payroll benefits	260,305	-	-	260,305	8,471	519,675
Occupancy	6,821	-	-	6,821	222	13,618
Professional and contract services	228,867	(156)	42	228,753	292	300,603
Advertising and promotion	-	-	-	-	2,102	2,102
Conferences, conventions, and meetings	7,298	-	-	7,298	-	8,109
Administration, copying and printing	43,871	1,219	710	45,800	4,875	50,675
Credit card and other service charges	-	-	-	-	1,809	1,809
Depreciation and amortization	133,542	-	-	133,542	61,455	377,024
Equipment rental	28,518	-	3,555	32,073	-	32,073
Facilities	129,045	-	334	129,379	20,844	150,976
Insurance	12,010	-	-	12,010	391	23,977
Interest expense	98,131	-	-	98,131	94,585	195,909
Meals and entertainment	16,790	2,456	1,791	21,037	11,327	32,364
Benevolence	164	108,144	994	109,302	-	109,302
Generosity	198,449	275	167,650	366,374	-	366,374
Supplies and other expenses	21,279	-	110	21,389	4,616	26,005
Supplies general	62,482	1,415	76,280	140,177	15,621	155,798
Other expenses	147,069	12,023	11,224	170,316	58,279	228,935
Postage and delivery	3,481	53	2	3,536	183	3,719
Repairs and maintenance	35,095	-	-	35,095	34,638	70,902
Mileage	842	-	-	842	-	842
Telecommunication	4,959	-	-	4,959	2,125	7,084
Telephone	16,493	-	-	16,493	7,068	23,561
Travel expenses	37,307	518	100	37,925	-	37,925
Utilities	47,153	-	-	47,153	1,534	94,136
TOTAL EXPENSES	<u>\$ 2,846,125</u>	<u>\$ 126,176</u>	<u>\$ 263,010</u>	<u>\$ 3,235,311</u>	<u>\$ 118,568</u>	<u>\$ 5,323,435</u>

See accompanying notes and independent auditor's report.

TRANSFORMATION CHURCH, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAM EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31, 2020				December 31, 2019			
	Church	Care	Outreach	Total Program	Church	Care	Outreach	Total Program
EXPENSES								
Direct expenses	\$ 5,932	\$ -	\$ -	\$ 5,932	\$ 118,549	\$ 229	\$ 218	\$ 118,996
Salary and wages	1,771,744	-	-	1,771,744	1,187,605	-	-	1,187,605
Payroll benefits	349,925	-	-	349,925	260,305	-	-	260,305
Occupancy	3,305	-	-	3,305	6,821	-	-	6,821
Professional and contract services	409,574	4	114	409,692	228,867	(156)	42	228,753
Advertising and promotion	-	-	-	-	-	-	-	-
Conferences, conventions, and meetings	11,851	-	49	11,900	7,298	-	-	7,298
Administration, copying and printing	10,655	262	49	10,966	43,871	1,219	710	45,800
Credit card and other service charges	-	-	-	-	-	-	-	-
Depreciation and amortization	243,045	-	-	243,045	133,542	-	-	133,542
Equipment rental	22,186	-	1,687	23,873	28,518	-	3,555	32,073
Facilities	37,472	-	-	37,472	129,045	-	334	129,379
Insurance	17,813	-	-	17,813	12,010	-	-	12,010
Interest expense	131,568	-	-	131,568	98,131	-	-	98,131
Meals and entertainment	13,864	2,584	1,094	17,542	16,790	2,456	1,791	21,037
Benevolence	-	67,697	-	67,697	164	108,144	994	109,302
Generosity	359,897	-	142,568	502,465	198,449	275	167,650	366,374
Supplies and other expenses	1,860	-	-	1,860	21,279	-	110	21,389
Supplies general	30,918	2,014	95,338	128,270	62,482	1,415	76,280	140,177
Other expenses	127,801	4,881	8,159	140,841	147,069	12,023	11,224	170,316
Postage and delivery	3,023	140	50	3,213	3,481	53	2	3,536
Repairs and maintenance	45,310	-	-	45,310	35,095	-	-	35,095
Mileage	683	-	-	683	842	-	-	842
Telecommunication	3,144	-	-	3,144	4,959	-	-	4,959
Telephone	22,722	-	-	22,722	16,493	-	-	16,493
Travel expenses	12,611	-	457	13,068	37,307	518	100	37,925
Utilities	54,587	-	-	54,587	47,153	-	-	47,153
TOTAL EXPENSES	\$ 3,691,490	\$ 77,582	\$ 249,565	\$ 4,018,637	\$ 2,846,125	\$ 126,176	\$ 263,010	\$ 3,235,311

TRANSFORMATION CHURCH, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31, 2020		December 31, 2019	
	Management and General	Fundraising	Management and General	Fundraising
EXPENSES				
Direct expenses	\$	-	\$	-
Salary and wages	795,067	42,532	1,144,691	38,646
Payroll benefits	157,028	8,400	250,899	8,471
Occupancy	1,483	79	6,575	222
Professional and contract services	106,292	128	71,558	292
Advertising and promotion	-	10,117	-	2,102
Conferences, conventions, and meetings	1,322	-	811	-
Administration, copying and printing	1,184	-	4,875	-
Credit card and other service charges	1,800	-	1,809	-
Depreciation and amortization	139,124	74,425	182,027	61,455
Equipment rental	-	-	-	-
Facilities	9,991	361	20,844	753
Insurance	7,993	428	11,576	391
Interest expense	59,041	3,158	94,585	3,193
Meals and entertainment	9,446	-	11,327	-
Benevolence	-	-	-	-
Generosity	-	-	-	-
Supplies and other expenses	1,908	-	4,616	-
Supplies general	7,729	-	15,621	-
Other expenses	55,281	306	58,279	340
Postage and delivery	159	-	183	-
Repairs and maintenance	20,639	1,104	34,638	1,169
Mileage	-	-	-	-
Telecommunication	1,347	-	2,125	-
Telephone	9,738	-	7,068	-
Travel expenses	-	-	-	-
Utilities	24,496	1,310	45,449	1,534
TOTAL EXPENSES	\$ 1,411,068	\$ 142,348	\$ 1,969,556	\$ 118,568

TRANSFORMATION CHURCH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,389,600	\$ 520,317
Adjustments to reconcile to net cash Provided (used) by operating activities:		
Depreciation and amortization	456,594	377,024
Net loss on disposal of assets	989	3,170
Change in:		
Investments	(43,106)	(8,578)
Inventory (books)	3,640	13,277
Accounts receivable	1,152	(827)
Prepaid expense	(3,573)	(19,382)
Security deposit	-	1,458
Accounts payable and credit card payable	(84,905)	(22,875)
Unearned revenue	200	(100)
Payroll liabilities	77,733	(10,551)
Net cash provided by operating activities	1,798,324	852,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	80,858	(46,693)
Purchases of property	(1,018,907)	(544,868)
Net cash used by investing activities	(938,049)	(591,561)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	-	192,112
Payments of loan	(247,818)	(186,280)
Net cash provided (used) by financing activities	(247,818)	5,832
Net change in cash and equivalents	612,457	267,204
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	1,487,299	1,220,095
CASH AND CASH EQUIVALENTS		
AT END OF YEAR	<u>\$ 2,099,756</u>	<u>\$ 1,487,299</u>

Interest expense was \$193,767 and \$195,909 for the years ended December 31, 2020 and 2019.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Transformation Church, Inc. (the “Church”) was incorporated as a non-profit organization in South Carolina in April, 2010. The Church is a multi-ethnic, multi-generational, mission-shaped community that loves God completely (Upward), ourselves correctly (Inward) and our neighbors compassionately (Outward).

Basis of Financial Statement Preparation

The financial statements of the Church have been prepared using the accrual basis of accounting.

Cash and Cash Equivalents

The Church considers all highly liquid investments purchased with a maturity of three months or less, to be cash equivalents.

Accounts and Other Receivables

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts if necessary. At December 31, 2020 and 2019, the Church had receivables of \$16 and \$1,168, respectively.

Inventory

The church has an inventory of books and apparel which are recorded as the lower of cost or market. As of December 31, 2020 and 2019, the inventory was \$7,876 and \$11,516, respectively.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Property and equipment acquisitions are capitalized if they are in excess of \$1,000. Depreciation, including depreciation of assets under capital leases, is provided over the estimated useful lives of the respective assets on a straight-line basis. The cost of property and equipment sold or retired and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in revenue or expense.

Donated Services

Donated services are provided by volunteers but not reflected herein inasmuch as the amount of the services is indeterminable.

Income Taxes

The Church has received a determination letter from the Internal Revenue Service stating that the Church is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Revenue and Restricted Assets

The Church receives revenue primarily from contributions. The Church records gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. At December 31, 2020 and 2019, net assets with donor restrictions were \$22,568 and \$-0-, respectively.

Net Assets with Donor Restrictions:	<u>2020</u>	<u>2019</u>
Roll Out Hope	\$22,568	\$ -0-

Cost Allocation

Certain categories of expenses are attributable to program, supporting function and fundraising and are allocated on a reasonable basis that is consistently applied. Compensation and benefits are allocated based on estimates of time and effort, while all other expenses are allocated based on estimates made by management.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets, at year end	<u>2020</u>	<u>2019</u>
	\$2,177,176	\$1,522,765
Less those unavailable for general expenditures within one year, due to:		
Subject to appropriation and satisfaction of donor restrictions	<u>(22,568)</u>	<u>(-0-)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,154,608</u>	<u>\$1,522,765</u>

The Church has \$2,154,608 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and investments of \$2,154,592, and account receivable of \$16.

3. PROPERTY AND EQUIPMENT

The Church records property at cost and provides for depreciation using the straight-line method over the estimated useful life of the asset (furniture and fixtures and office equipment; five—ten years). Maintenance and repairs are expensed as paid; major renewals or betterments over \$1,000 are capitalized. Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$456,594 and \$377,024, respectively.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

4. OPERATING LEASES

The Church has multiple operating leases, primarily for various forms of equipment that expire on various dates as well as office and church buildings. Those leases generally contain renewal options and require the Church to pay all executor costs such as taxes, maintenance and insurance. Lease expense was \$4,083 and \$10,656 for the year ended December 31, 2020 and 2019, respectively, and is included in occupancy expense.

Minimum lease payments under operating leases as of December 31, 2020, are as follows:

Year Ending December 31:	
2021	\$ 3,468
2022	3,468
2023	3,468
2024	3,468
2025	2,601

5. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Church to concentrations of credit risk, consist principally of cash, cash equivalents and member receivables. The Church maintains its cash and cash equivalents with a federally insured financial institution located in South Carolina. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 and 2019, the Church had funds above the federally insured limit in the amount of \$1,564,227 and \$1,008,002 respectively. Management believes that these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

6. PENSION AND HEALTH SAVING ACCOUNTS

The Church contributed \$91,281 and \$94,743 to employees' HSA accounts during December 31, 2020 and 2019, respectively. During the year ended December 31, 2016 the Church started contributing to retirement plans for its employees. As of December 31, 2020 and 2019 the church contributed \$80,624 and \$78,429, respectively, to employees' retirement plans.

7. LONG-TERM DEBT

As of June 19, 2017, the Church refinanced its two construction loans and obtained one new loan in the amount of \$4,800,000. The initial interest rate of this loan is 4.25% for the first 60 months. On June 19, 2022, the interest rate shall be adjusted to a rate equal to 2.26% greater than the Interest Rate Swap Rate. The loan commenced on August 1, 2017 with 300 payments of \$26,162 each month. The "Maturity Date" on the loan is June 19, 2027 at which time any unpaid principal and accrued but unpaid interest shall be immediately due and payable. This promissory note is secured by the property and a \$100,000 cash reserve at First Bank. At December 31, 2020 and 2019, the loan balances were \$4,246,997 and \$4,433,038 respectively.

TRANSFORMATION CHURCH, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

A summary of principal payments on debt for future years is as follows:

Year Ending December 31:	
2021	\$ 136,081
2022	141,978
2023	148,132
2024	154,551
2025	161,249
2026 and thereafter	<u>3,505,006</u>
	<u>\$ 4,246,997</u>

8. INVESTMENTS

The Church has several investment accounts used to receive stock from contributors. As of December 31, 2020 and 2019, the Church has investment income of \$6,003 and \$8,579, and interest on bank accounts of \$135 and \$314, respectively.

9. CAPITAL LEASE

The Church entered into a long-term capital lease during the year ended December 31, 2019. The terms of the lease are 36 payments of \$5,693 beginning in November 2019. The lease was an interest free lease. The Church has used an imputed interest rate of 4.25%. The church has recorded both a fixed asset and a note payable of \$192,112. The balance of the note payable as of December 31, 2020 and 2019 are \$120,292 and \$182,068, respectively.

A summary of principal payments on capital lease for future years is as follows:

Year Ending December 31:	
2021	\$ 64,453
2022	<u>55,839</u>
	<u>\$ 120,292</u>

10. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through March 31, 2021, the date on which the financial statements were available to be issued. During this period, the Church noted it is in the process of adding a 501(c)3, One Heart at a Time, under their 501(c)3 umbrella. There were no other subsequent noted.